

Business Planning

Typical government planning processes have involved three distinct steps.

Step 1: Develop a strategic plan that sets a long-term course for the company, agency or department.

Step 2: Implement that strategic plan by developing annual operational plans.

Step 3: Develop budget plans to obtain funding.

The term “business” is not generally associated with federal bureaucracies or even smaller governmental units. However, under current budgetary constraints, government managers are being asked to think about their mission and strategies in business terms. OMB, Congress, and others reviewing funding requests are looking for information on program results, and asking federal managers “What is the return on my investment in this area, and how can your program run more efficiently?” These types of questions have traditionally been asked of private sector managers, not government managers. In response, some federal managers are developing “business plans” with the intent of shifting the focus from not only performance and results, but performance and results within the context of costs.

Federal managers are most experienced in centralized budget planning. Performance-based management does not reject centralized planning but is supposed to be less dependent on the old mechanisms of centralized monitoring. Instead, central agencies ask line departments to focus on common organizational objectives during the planning process. The underlying idea is uncomplicated: if line departments plan around common strategic priorities and “outcomes” of the organization as a whole, adopt similar performance indicators, and use the information to improve their own policies, programs and approaches to service delivery, a natural integration and coordination of activity should result. Such an approach is supposed to lead to better “horizontal” policy-making and provide decision-makers with a holistic perspective.

Business planning goes beyond typical government planning by establishing courses of action and related budgets based on careful analysis of cost and performance data. Good performance and cost information is critical for good business planning. Business planning also recognizes that results cannot be achieved by a single program or a single department and that horizontal planning will make for more efficient uses of limited government resources by integrating information technology, human resources planning, and real-property management.

What individual federal managers have generally tended to do is develop a single course of action for implementing their strategic plan and then executed it accordingly. Then post-program reviews or evaluations have focused on whether the program accomplished its intended end-result according to the timeframes set in these operational plans. What federal managers have not focused on is examining and combining a wider array of strategies from across organizational units. Business planning can help managers consider this broader array of actions and systematically apply criteria to help decide which mix of activities or strategies should be used and managed as one integrated plan. An important component of the business context should include a competitive analysis of other entities (i.e., state governments, private industry groups, non-profit associations) that may be doing similar or complementary work. Without a clear view of who else is involved in managing or impacting a particular issue, the program’s ability to manage and operate at top efficiency is hampered.

Business planning focuses on answering these kinds of questions:

- What trade-offs is the organization willing to make between money and performance?
- What is the optimum mix of people, technology, and other strategies to get the job done efficiently?

- If the Agency is able to finance only a portion (say 25%) of the project, what will be possible to accomplish?
- Is there a minimum funding level that is needed to get any new project or initiative off the ground? What is it that minimum threshold? (For example, below \$3 million dollars nothing can be done effectively, so the program shouldn't begin.)
- Are there cost-sharing options to consider between my program and other partners or stakeholders?

The emphasis in business planning is in describing the “business” context under which the program is working. This involves a willingness to thoroughly evaluate the external environment and the program’s capacity to confront any changes that need to be made. As noted in chapter 2 under Basic Program Rationale, the Program Logic Model is a tool that serves as a springboard to doing this type of assessment. Listing the External Factors and the underlying assumptions the program operates under can serve as the checklist for beginning this assessment. This assessment of the business context provides the following benefits (Kessler & Kelley, 2000):

- A clear rationale explaining near-term actions that the organization is pursuing and WHY they are essential to achieving outcomes.
- Plausible future scenarios that likely will be confronted.
- A forum that provides the basis for developing real goals and associated strategies to achieve them.
- Specific internal adjustments that must be made if goals are to be achieved.

Lessons Learned in Canada:

(Bernier & Potter, "Business Planning in Canadian Public Administration", *New Directions*, Number 7, 2001.)

Several of Canada's provincial governments as well as the federal government introduced business planning methods into their political systems in the early 1990s. Alberta and Ontario were the first provinces to embark on the results-focused planning and they were driven primarily by the need to reduce deficits and increase accountability. Over time, several others, provinces including Quebec, Saskatchewan, and Ottawa have adapted various business planning principles to their political decision-making processes. While no two provinces have institutionalized these core business planning principles in the same way, there are a few common lessons to share.

1. Good business planning is heavily reliant on good information.
2. Business planning can make government more effective, accountable, and efficient, AND to improve the link between bureaucratic priorities and political objectives.
3. "Corporate" (cross-cutting or horizontal) issues, such as IT, human resource planning, and real-property management, that have tended to be ignored in traditional planning methods are more adequately addressed in a business planning.
4. Business planning has encouraged decision makers to pay more attention to established or baseline programs, not just new programs or budget initiatives.
5. Business planning has been more successful in the more market-oriented government provinces (e.g., Alberta and Ontario) than in more socially democratic-oriented provinces like (Saskatchewan and Quebec).
6. Even in the more market-oriented provinces, business planning, as a private sector activity, doesn't "translate" as clearly into the public-sector due to conflicting political agendas.

So, when should I do business planning?

1. Does your organization have a performance-based culture? Are managers committed to using performance data to make program improvements and to reallocate resources based on it? Managers need to continually collect and analyze the data, and use it to develop and adjust courses of action. This may be difficult if performance-based management culture is not in place and the budget process continues to drive government policy decisions.
2. Does your organization have good cost and performance data? Doing business planning right can be difficult, costly, and time-consuming. Much of the expense is in developing good cost and performance information systems. Much time will need to be devoted to changing existing management systems and attitudes.
3. Is your organization ready to collaborate across boundaries to develop horizontally integrated business plans? All planning requires good management communication but business planning demands continual and substantive conversations up, down, and across the organization to integrate all goals, activities, costs, and performance information.
4. Do your program managers want to increase program accountability? Transparent processes that describe real risks, based on actual performance information, can make a program or department vulnerable to critics.

One important reminder:

Business planning can not be done in a rushed fashion. In an emergency situation it is most important for managers to focus on addressing immediate and urgent needs. In order to achieve the promise of business planning—more effective, efficient, and accountable government programs—a lot more time and effort must be spent training managers and developing performance-based systems.

The VS Template

The following document provides one format being used by program managers in Veterinary Services (VS) to develop business plans for various entities. VS is a complex organization that deals with a wide array of animal health issues and industries. Within VS there has been some question as to what the appropriate “unit of planning” will be for developing these business plans. Should they be developed around each budgetary line item, only for new programs, around an entire animal industry such as poultry producers, or for broad program strategies such as national animal identification?

Because some of the strategies VS will employ over the next several years involve major financial investments, the time is right to embark on business planning and analyses. VS has developed several pilot business plans for their organization and they have developed a template for their program managers to use. It is provided below for your consideration. While it is not the only model that may be used for business planning, it does provide a starting point for program managers.

Veterinary Services Business Plan Template

1. Table of Contents

2. Executive Summary

2.1 Key business information: Summarize the objective (or goal) and purpose of the investment. State the specific or existing problem that this business plan addresses. Summarize the program but not the detail. Try to keep to one page, no more than two.

3. Business Information & Background

3.1 Livestock Health Business: What is the livestock health business (e.g. animal health surveillance, laboratory diagnostics) or other initiative where the investment is targeted?

3.2 Size: What is the size of this business (e.g. 50,000 animals and 2500 farms in 27 states, or 3,000,000 units of vaccine to protect 9M animals)?

3.3 History: Why are you in this business? What is the purpose? Give the reason, rationale, or regulation, if appropriate? If there is regulatory authority involved, cite the relevant authority and/or Congressional Act. Provide a brief history of the disease, program, or initiative.

3.4 Key objectives: What are the key objectives of this investment or the key challenge (e.g. disease, program, initiative)? State these objectives in 1, 3 and 5-year timeframes.

3.5 Key components: What are the key components of this business or segment (e.g. producers, VS regions, states, staff, labs, etc) and what is their role? If possible, provide a relationship or an organizational chart that illustrates.

4. Staff Information and Performance

4.1 Accountable activity: State the directorate, office or division that oversees this business, function, or activity.

4.2 Manager: List the person who is accountable for the business plan performance. The accountable person is responsible for cost, schedule, and performance results. Name the leader and give a brief background of their employment history, experience and education, as appropriate. Write this so that an investor is confident that the business will be managed well.

4.3 Phone: State the preferred contact number

4.4 Other key staff: Key support staff (assistant, etc).

4.5 Management oversight: What office will take steps to address management deficiencies, if necessary?

5. Competitive Analysis

5.1 Competitors: Competitors, simply stated, consist of everybody pursuing the same dollars. Who else operates in this market? For example, what other companies or agencies have the skills to do this function? Consider both private companies and other government agencies (e.g. other units in USDA can perform some of our functions). Provide a broad assessment of their capabilities. Most activities have competitors. Be candid about competitors, even though they introduce risk. Use the opportunity later (in cost analysis section) to showcase VS strengths.

5.2 Program Alternatives: Include a credible analysis of alternatives that include trade-offs between cost, schedule, risk, and performance goals. State whether this program duplicates any Federal, state, local, or private effort? If there is any duplication, state in analytical terms, if possible, how you addressed that duplication and chose Federal or other performance, or why it was not addressed?

5.3 Cost analysis: Can the government reasonably perform this task at a lower cost or more effectively than the private source or other government entity? How do you know? If not, are you proposing that this activity be competed at some point? If not, what is the basis for choosing to keep this as a government-only performance activity? Are there competitive sourcing or IT improvement opportunities that will lead to cost efficiencies? What are they, and what is proposed now or in the longer-term? If there are year-to-year efficiency increases that support the argument, provide them, or reference them if they are in another section.

6. Strategy

6.1 History: History of program in terms of timelines and qualitative or quantitative information including previous investment decisions and failures, if any.

6.2 Current status/assessment: Analysis of animal health disease environment today. What are the challenges, barriers and opportunities? What is the current status of this initiative, program or situation? What are the key components and activities related to this program? What new or emerging forces are facing this program?

6.3 Barriers/Limitations: Are there external management or cost barriers and limitations that impede performance (state, local, legislative, partners)? If so, state them in unemotional terms so that they can be evaluated and addressed at some level. Are there new options to deal with barriers, such as eradication strategies, vaccines, political initiatives?

6.4 Strategy: What, exactly, do you plan to do? Is it control, eradication, monitoring, or nothing? What are the goals/objectives and in what timeframes? Why did you make that choice? What are the key assumptions that you made? What is the strategic and tactical thinking behind this strategy? Are there dependencies or funding questions that limit this strategy? If so, provide a bridge strategy in the event funding is not obtained. Will there be resistance to this approach, and if so, what is your strategy to deal with it? Are all partners committed to annual and long-term goals? If not, what is your strategy to get the commitments needed? Clearly state the anticipated benefits of this strategy.

6.5 Key risks: What are the key risks associated with this program? How did you quantify the risk and what alternatives were considered? How was the risk mitigated, if at all? What are the previous “lessons-learned” and were these previous lessons considered? How did they impact the risk assessment?

6.6 Communication: Is a communication plan needed for this initiative. If so, what is the planned strategy? Have the costs been budgeted or programmed. If not, how do you plan to accomplish your communication strategy?

7. Financial Plan and Information

7.1 Budget and performance integration:

7.1.1 Proposed expenditures and projected outcomes, by year. Include prior year, current year, and future-year budgets or budget requests. Break out the indirect support costs that flow directly from this program. Separately break out support costs such as mission support, administration, personnel, equipment, logistics and IT.

7.1.2 Range of alternatives, evaluation criteria such as cost, schedule, risk, and performance. Is there a supporting business case analysis (BCA) tied to this investment? If so, put in the Appendix. State a clear rationale for choices and decisions that is defensible.

7.1.3 Year-to-year data that displays improved efficiencies in program performance. Present data that shows those improved efficiencies or cost effectiveness in achieving program goals each year. If not, state why this cannot be attained. Quantify investment inputs, outputs, and outcomes.

7.1.4 Strategic human capital management: Show people, training, investments. Include a skill needs analysis and state whether current resources can accomplish this mission. If not, show budget or training requirements. State the strategy to address the gaps between supply and demand and ensure that funding requests or other factors account for the costs associated with training and personnel.

7.1.5 Technology integration: What are the supporting technologies, systems and components? What investments are required, what is the status, and what is funded? Ensure that any system or software proposal addresses the issue of duplication or the opportunity to partner with others in APHIS who require the same capability.

7.1.6 Budget and performance tradeoffs: Show budget and performance tradeoffs at each funding level option.

7.1.7 Financial accountability: The program must have a strong financial management component. State the financial management practices that will ensure accountability for funds.

7.2 Strategic goal supported:

7.2.1 APHIS strategic goal # xx: Write the APHIS strategic goal number and the goal statement that this business plan supports.

7.2.2 VS strategic goal # xx: Write the VS strategic goal number and the goal statement that this business plan supports.

8. Performance Measures

8.1 Objective 1 -Measure 1: State the outcome-based performance measures that are both measurable and represent actual performance for each objective over the 5-year period.

8.2 Objective 2 -Measure 2: Make distinctions that emphasize accountability. Ensure that the measures relate to the investment and that there is no shared accountability for performance, if possible. Identify how, by whom and when performance measures will be collected and analyzed.

9. Appendices & Tables

9.1 Regulatory information

9.2 Agreements

9.3 Important reports or assessment (or references)